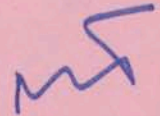


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PP PEKING  
GRS 375  
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FM FCO 141645Z APR83  
TO PRIORITY PEKING  
TELEGRAM NUMBER 229 OF 14 APR  
AND TO PRIORITY HONG KONG  
LORD SHEPHERD

*To see paragraphs 1 and 2.*



1. LORD SHEPHERD HAS WRITTEN TO LORD BELSOEAD ON HIS RETURN TO UK TO REPORT ON FUNG KING-HEY'S RECENT VISIT TO PEKING. FUNG APPARENTLY RETURNED TO HONG KONG ON 12 APRIL.
2. FUNG SAW LIAO CHENGZHI WHO TOLD HIM ABOUT THE PRIME MINISTER'S LETTER AND SAID THAT IT WAS BEING VERY CAREFULLY CONSIDERED AND DISCUSSED AND THAT IT MIGHT BE SOME TIME BEFORE A FIRM REACTION TO IT WAS GIVEN. FUNG DID NOT SEE LETTER, BUT FELT IT MIGHT HAVE EASED DIFFERENCES BETWEEN TWO GOVERNMENTS. HE ALSO HAD VERY STRONG IMPRESSION IN DISCUSSIONS WITH OTHER OFFICIALS THAT THEY WERE NOW SPEAKING WITH A GREAT DEAL MORE CAUTION AND LESS PROVOCATIVELY THAN EARLIER IN THE YEAR, UNDER INSTRUCTIONS FROM THE TOP. FUNG HAD GONE TO PEKING WITH CONSIDERABLE ANXIETY, BUT CAME AWAY FEELING MUCH MORE CONFIDENT THAT THERE WAS A GREATER UNDERSTANDING OF THE HONG KONG PROBLEM ON THE QUESTION OF CONFIDENCE AND THAT STEPS HAD AND WOULD CONTINUE TO BE TAKEN TO TO COOL THE ATMOSPHERE.
3. FUNG ALSO SAID THAT XU JIA-TUN, FIRST SECRETARY OF JIANGSU PARTY COMMITTEE FROM 1977, AND A MEMBER OF THE PARTY CENTRAL COMMITTEE, HAD BEEN APPOINTED PERSONALLY BY DENG AND LIAO TO TAKE OVER NCNA IN HONG KONG. HE IS DESCRIBED AS A PROFESSOR OF FOREIGN AFFAIRS AND LANGUAGES, BUT APPARENTLY SPEAKS NEITHER ENGLISH NOR CANTONESE. THE NUMBER 2 IN NCNA WOULD BE LI CHU-WEN, WHO IS DIRECTOR OF THE SHANGHAI FOREIGN AFFAIRS OFFICE. LI IS FROM CHEJIANG AND AGED 65: HE WAS A DELEGATE TO THE 12TH PARTY CONGRESS. BOTH ARE WELL KNOWN TO FUNG, WHO SPEAKS HIGHLY OF THEM AND SEES THEIR APPOINTMENT AS A MEANS OF PROVIDING THE PRC WITH A CLOSER AND MORE INTIMATE UNDERSTANDING OF THE PROBLEMS OF HONG KONG. RESEARCH DEPARTMENT'S VIEW IS THAT THE APPOINTMENT OF XU

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- AND LI WOULD MEAN AN UPGRADING OF THE NCNA POSTS.
4. LIAO AND OTHER OFFICIALS APPARENTLY EXPRESSED AN INTEREST IN SHEPHERD VISITING CHINA IN THE COURSE OF HIS TRADING INTERESTS WITH SUN HUNG KAI GROUP. SHEPHERD FEELS THAT THIS WOULD NOT BE DESIRABLE AT PRESENT BUT FORESEES PRESSURE FROM FUNG TO MAKE SUCH A VISIT. HE WILL KEEP LORD BELSTEAD INFORMED AND WILL CONSULT WITH HIM BEFORE TAKING ANY DECISION.
5. COPY OF LETTER FOLLOWS BY BAG.

PYM

FUTURE OF HONG KONG

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